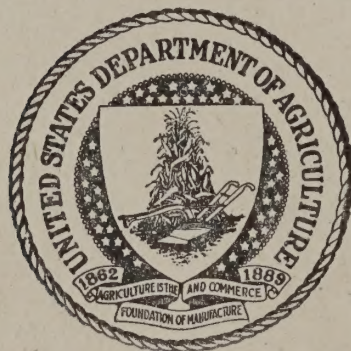


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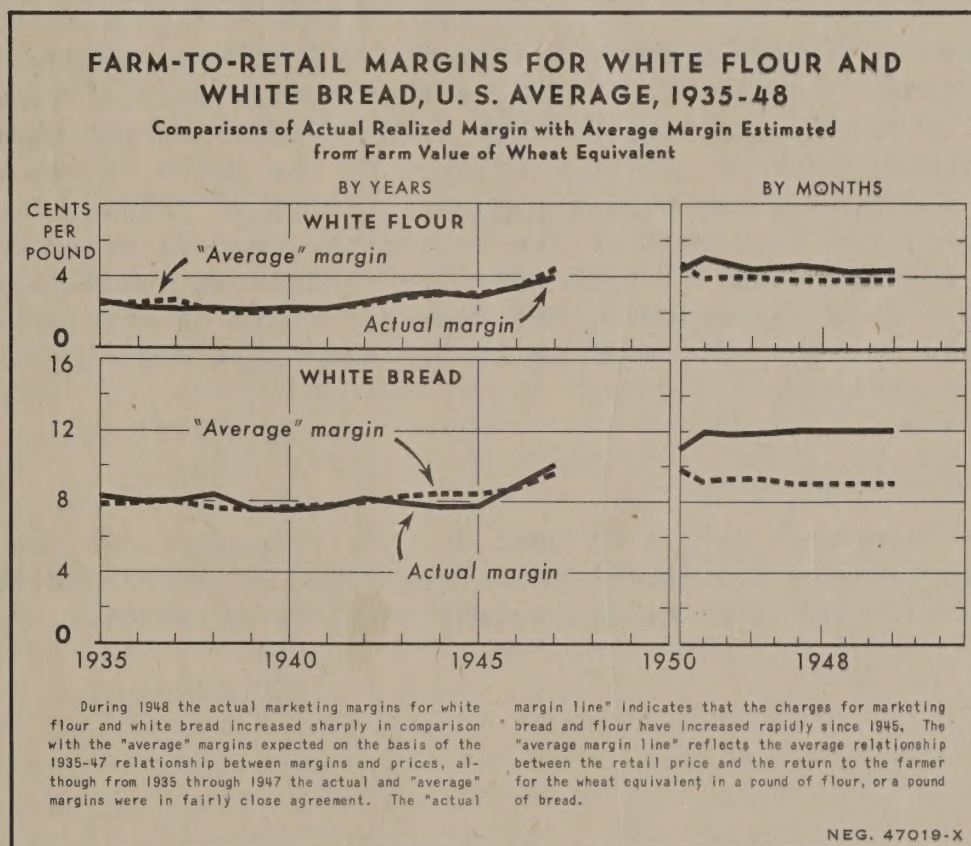
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FARM-TO-RETAIL MARGINS

FOR

White Flour and White Bread



WASHINGTON, D. C.
DECEMBER 1948

SUMMARY

Over a period of years, the price farmers get for their wheat has tended to move in the same direction as the retail prices of flour and bread. However, between January and October 1948, the U.S. average local market price of wheat dropped 30 percent; the retail price of flour dropped 15 percent; but the retail price of bread rose 0.7 percent. The marketing margin for flour decreased 2 percent, while the marketing margin for bread increased 9 percent.

During early 1948 the actual marketing margins for white flour and for white bread rose sharply in comparison with the "average" ^{1/} margins expected on the basis of the 1935-47 relationship between margins and prices, although from 1935 through 1947 the actual and the "average" margins were in fairly close agreement.

Millers' margins showed a decrease from January through October in 1948 as compared with 1947, whereas both the mill-retail margins for flour and the baker-retail margins for bread increased in January 1948 and were higher thereafter than for any month in 1947.

A number of variable costs are included in the marketing margins for flour and bread. On the other hand, a substantial part of these margins is made up of fairly stabilized costs such as salaries and wages, transportation costs, storage, and packaging. On the whole, these costs increase and decrease along with the general level of prices, but to a lesser extent; and they tend to lag behind the general price changes. This makes the marketing charges relatively rigid in comparison with retail prices. As a consequence, the farmer's share of the retail price rises rapidly during periods of inflation and falls rapidly during deflationary periods.

^{1/} The "average" margin as used in this comparison is the average relationship between the retail price per pound of flour and of bread, and the net farm value of an equivalent quantity of wheat.

This preliminary report is based on a study that was made with funds authorized by the Research and Marketing Act of 1946.

FARM TO RETAIL MARGINS FOR WHITE FLOUR AND WHITE BREAD

By W. Edward Blackmore, Agricultural Economist

In the United States the wheat farmer's share of the retail price of flour and the retail price of bread, in terms of cents per pound, touched an all-time high in November and December 1947. The record-high national average retail price of 9.6 cents per pound was reached in January 1948 for flour, and the record-high average of 14.5 cents per pound was reached in February 1948 for bread. Farmers received a record price of \$2.81 per bushel for wheat in January 1948. This unusually favorable situation for the wheat growers was short-lived. The U.S. farm price of wheat declined 30 percent between January and October in 1948 and retail prices of flour fell about 15 percent; whereas prices of bread at retail rose 0.7 percent.

Failure of the retail price of bread to respond to the rapid fall in the price of wheat intensified farmer and consumer interest in the cost of marketing certain of our basic farm products. Furthermore, it directed attention rather forcefully to the record-high cost of food and to the fact that the cost was being maintained despite record harvests on American farms.

The continued high cost can be attributed to several factors. It is the purpose of this report to set forth some of the existing conditions respecting the spread between the price the farmer receives for his wheat and the price the consumer pays for the product in a usable form.

General Considerations

The United States consumption of flour and of bread remains fairly constant from one day to another, even though for many years there has been a gradual trend toward a lower per capita consumption of these products. Any substantial change in consumer income or in the retail price is usually accompanied by a relatively small change in their consumption although a substantial rise in consumer income is usually reflected in an added demand for meats, dairy and poultry products, fruits, and pastries.

The factors that enter into the determination of the prices for wheat are a reflection of total available wheat supply, demand for wheat for food in the United States, export demand, and domestic demand for animal feed. As the per capita domestic consumption of wheat in the form of flour and bread is relatively stable, any great increase in production of wheat will influence the wheat prices adversely unless such excesses can be sold abroad or otherwise removed from the market. Under conditions of excess production, the farm price of wheat could fall drastically without causing an immediate decline in the price of either bread or flour. The prices of these products are associated more closely with industry competition for the existing market and the level of other costs such as labor and transportation.

In this instance industry competition may be at a low ebb because milling and baking did not expand during the period 1940-48, whereas the domestic flour-and-bread consuming population increased. Because of this combination

of an increasing population and an abnormally slow expansion of production capacity, the excess capacity now in the milling and baking industries is relatively small. This in turn minimizes the need for market competition to utilize any excess production capacity of individual plants. In other words, there has been little incentive to draw customers from one plant to another by means of a price appeal to the consumers.

The farmer's share of the consumer's dollar spent for food items has increased since the beginning of the war, along with the general rise in food prices (table 6). Marketing charges, although increasing, tended to lag behind the increasing farm prices during this period. The extent of this lag in the milling and baking industries is partially attributed to the forward purchasing of wheat or flour by the millers or the bakers. During the time involved from the purchase of the raw commodity to the distribution of the finished product to the retailers, a change may occur in the farm value or in the retail price, and this price change may not be immediately reflected in the marketing charges. On the other hand, marketing charges do not decrease so rapidly nor so abruptly as do retail or farm prices. Increases in marketing charges are due chiefly to increased wage rates, increased transportation rates, and increases in the marketing services demanded by the consumers. When these charges which make up the marketing costs are once established in the marketing system, they strongly resist changes. This rigidity of marketing charges when retail prices are falling creates a strong pressure to force the "farmer's return" downward. Under such a supply-demand situation, the farmer takes what is left of the consumer's dollar after the marketing costs have been deducted.

The marketing costs of flour and bread include such charges as transportation, salaries and wages, storage, packaging, advertising, interest, and other expenses. Another element in the marketing margin is composed of the profits of businesses that process and market flour and bread. The profits, in relation to reported investments, of 8 baking companies, 8 grain mill-products companies, and 8 retail food chains, were higher in 1947 than prewar. But in 1947 the baking companies and the retail food chains showed profits below their postwar peaks (table 1). In the past, wages and salaries constituted the major item of cost in both processing and distribution. Hence, any percentage increase or decrease in wages and salaries in the milling and baking industries will exert more influence in the increase or decrease of the total marketing costs than would a similar change in any other factor. But these items of cost have increased generally in other industries since 1939 (table 7). It is unreasonable to assume, therefore, that these cost items in the baking and milling industries will be reduced unless there is a similar reduction in other industries that are competing for the available labor supply.

In other words, the increased level of wages and other major marketing costs are closely related to the general level of prices and are not expected to decline until the over-all price level declines. When and if this decline in price level occurs, the drop in farm prices can be expected to be proportionately greater than the decrease in marketing costs and in retail prices. So long as the consumers continue to demand an increasing number of marketing services, and have the means to pay for them, the marketing costs are likely to remain high.

This situation, associated with a decline in retail prices, will reduce the farmer's share of the consumer's dollar, whereas the proportion paid to marketing agencies will tend to increase because of charges made for the services that are continued during the decline and which are in turn incorporated in the retail price of the food product.

Table P.- Baking companies, grain mill-products companies, and retail food chains: Operating profit (minus provision for Federal taxes) as percentage of investment, 1935-47 ^{1/}

Year	8 baking companies	8 grain mill product companies	8 retail food chains
	Percent	Percent	Percent
1935	4.8	8.3	8.8
1936	8.3	8.8	9.0
1937	7.5	9.0	5.0
1938	9.4	10.6	8.0
1939	8.2	10.5	9.9
1940	7.2	8.2	9.4
1941	6.6	8.6	10.0
1942	10.2	9.0	8.8
1943	10.6	9.0	7.3
1944	9.3	10.2	8.3
1945	10.1	9.6	8.0
1946	20.0	13.0	18.2
1947	13.6	16.9	17.1

Compiled from Moody's Industrials

^{1/} In general, the operating profit is the net sales minus the cost of sales, operating expenses, maintenance, and depreciation. The provision for Federal taxes includes both income taxes and excess profits taxes, and in some cases Canadian and State income taxes. Other income is not included in operating profit, but the Federal taxes are on all sources of income. Further adjustment of the tax deductions would increase the profit ratios slightly.

Investment includes common stock, preferred stock, funded debt, minority interests, capital surplus, earned surplus, and various reserves.

Analysis Regarding White Flour

Marketing charges for white flour have been more stable than the retail price, and the farmer's share of the retail price of white flour has followed the trend of the retail price level. After World War I, the retail price declined but the trend was reversed at the outbreak of World War II and the price reached an all-time high in January 1948. (Tables 2 and 3 and fig. 1).

Over the first half of 1948, the United States average retail price per pound of white flour was 8.7 cents; net farm value 4.2 cents $\frac{1}{2}$; margin 4.6 cents; and the farmer's share 48 percent. Corresponding figures for October 1948 were: retail price 8.2 cents; net farm value 3.9 cents; margin 4.3 cents; and farmer's share 48 percent. The 1935-39 average retail price of white flour per pound was 3.9 cents; net farm value 1.8 cents; margin 2.1 cents; and the farmer's share 46 percent. Corresponding figures for the 1942-45 war period were: retail price 5.3 cents; net farm value 2.4 cents; margin 2.9 cents; and farmer's share 46 percent.

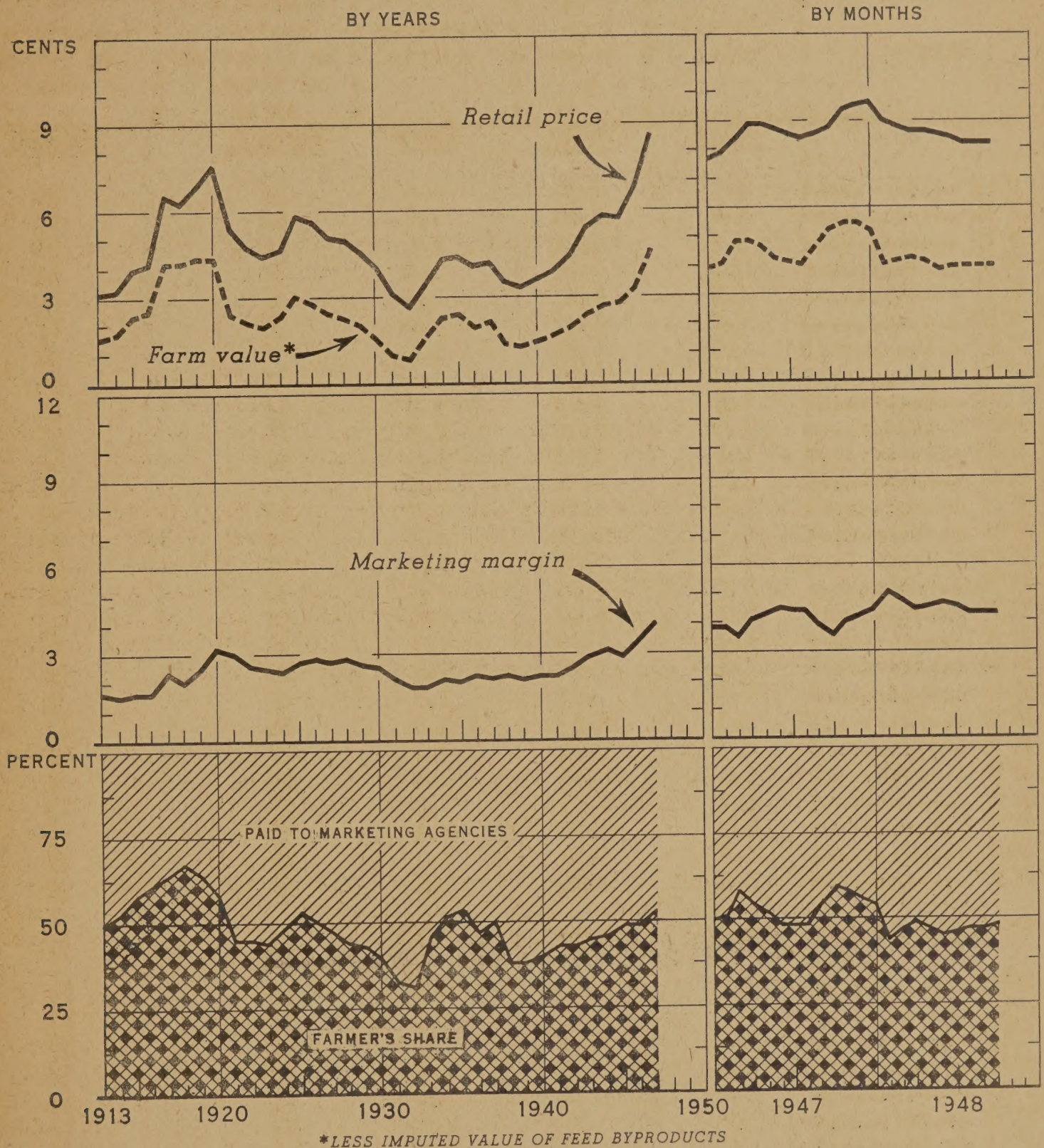
The factors influencing the increases and decreases in the retail price of flour and the net return to the farmer also were influential in the increases and decreases in the marketing margin. The relation between these influences is so close that it can be measured with a high degree of accuracy. The monthly averages of the marketing margin for flour, year by year, from 1935 through 1947, are shown in the chart on the cover of this report. This can be called the "actual margin." The close relationship between the retail price of flour and the net return to the farmer for the wheat equivalent in flour, during the period 1935-47, provides a basis for computing an average margin for each year. Assuming that the relationships that prevailed during 1935-47 were still existing, the "average marketing margin" for flour during the first half of 1948 has been computed and compared with the "actual marketing margin."

During the 13-year period 1935-47, the "actual margin" closely followed the "average margin" with the greatest difference of 0.48 cent occurring in 1937. In contrast the average of the actual margin during the first 10 months of 1948 exceeded the average of the average margin by 0.56 cent or 14 percent.

The millers' margin represented about one-fourth of the total marketing margin for flour, from January 1947 through October 1948. The mill charges averaged 1.4 cents per pound during 1947. Beginning in January 1948, there was a downward trend in the mill margins which lowered the average for the

$\frac{1}{2}$ Feed byproducts are rather important in flour milling. As a bushel of wheat on the average yields 42.6 pounds of flour, 1.41 pounds of wheat are required to yield 1 pound of flour plus about 0.41 pounds of mill feeds. The gross farm value of the 1.41 pounds of wheat is its value at the average price received by farmers for wheat. The net farm value is the imputed farm value of that portion of the wheat value assigned to flour, with the remainder of the value constituting a byproduct credit for wheat feed. The wholesale value of the flour as a percentage of the combined wholesale value of the flour and wheat feed was computed by months. These percentages were then applied to the gross farm value of the 1.41 pounds of wheat to obtain estimated net farm values of flour content, or the net farm value equivalent to a pound of flour.

WHITE FLOUR: RETAIL PRICE PER POUND, NET FARM VALUE OF EQUIVALENT QUANTITY OF WHEAT, MARKETING MARGIN, AND FARMER'S SHARE OF RETAIL PRICE, UNITED STATES, 1913-48



U. S. DEPARTMENT OF AGRICULTURE

FIGURE 1 NEG 47022 BUREAU OF AGRICULTURAL ECONOMICS

Increases and decreases in the farmer's share of the retail price of flour are closely associated with similar changes in the farm value of the wheat equivalent, largely because of the relatively stable costs in the marketing charges.

Table 2.- White flour: Retail price per pound, net farm value of wheat adjusted for byproduct allowance, marketing margin, and farmer's share of retail price, United States, 1913-47

Year	Retail price	Net farm value 1/	Marketing margin	Marketing charges as a percent of retail price	Farmer's share of retail price
	Cents	Cents	Cents	Percent	Percent
1913	3.1	1.54	1.6	50	50
1914	3.2	1.71	1.5	47	53
1915	3.9	2.28	1.6	42	58
1916	4.1	2.49	1.6	39	61
1917	6.5	4.16	2.3	36	64
1918	6.2	4.17	2.0	33	67
1919	6.8	4.34	2.5	36	64
1920	7.5	4.33	3.2	42	58
1921	5.4	2.43	3.0	55	45
1922	4.7	2.10	2.6	55	45
1923	4.4	1.93	2.5	56	44
1924	4.6	2.24	2.4	51	49
1925	5.8	3.06	2.7	47	53
1926	5.6	2.78	2.8	50	50
1927	5.1	2.40	2.7	53	47
1928	5.0	2.21	2.8	56	44
1929	4.6	2.00	2.6	57	43
1930	4.1	1.58	2.5	61	39
1931	3.1	.98	2.1	68	32
1932	2.6	.80	1.8	69	31
1933	3.3	1.51	1.8	54	46
1934	4.3	2.24	2.1	48	52
1935	4.4	2.39	2.0	46	54
1936	4.1	1.93	2.2	53	47
1937	4.2	2.10	2.1	50	50
1938	3.5	1.32	2.2	62	38
1939	3.3	1.24	2.1	62	38
1935-39 average	3.9	1.80	2.1	54	46
1940	3.6	1.44	2.2	60	40
1941	3.8	1.62	2.2	57	43
1942	4.4	1.90	2.5	57	43
1943	5.3	2.39	2.9	55	45
1944	5.8	2.68	3.1	54	46
1945	5.7	2.79	2.9	51	49
1946	6.7	3.26	3.4	51	49
1947	8.6	4.58	4.0	47	53

From "Price Spreads between Farmers and Consumers for Food Products, 1913-44." U.S. Dept. Agr. Misc. Pub. 576, and Supplementary Data (mimeographed).

1/ The net farm value is the imputed farm value of that portion of the wheat value assigned to flour, with the remainder of the value constituting a byproduct credit for wheat feed.

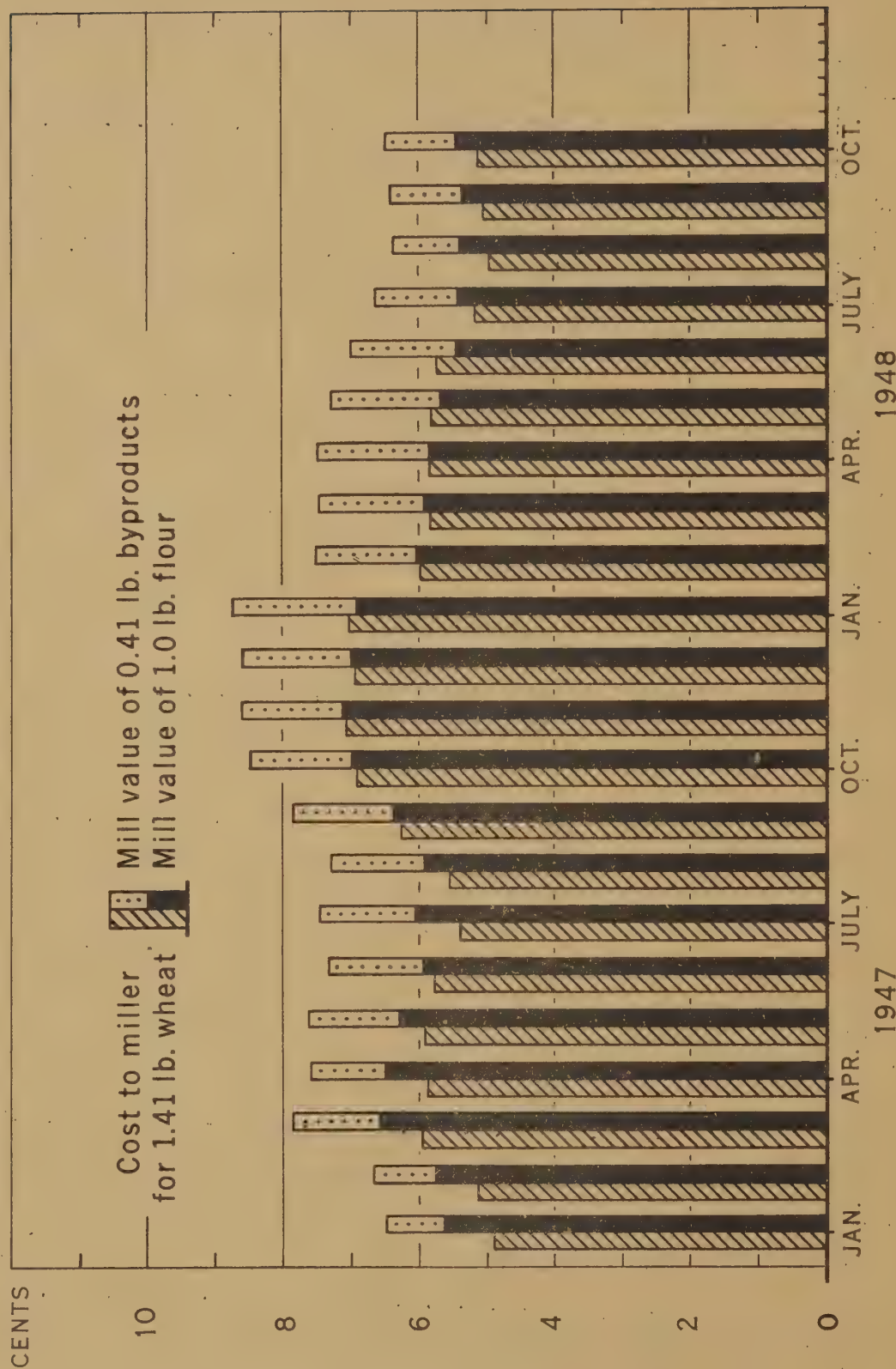
Table 3 -White flour: Farm price of wheat per bushel, farm value and estimated cost to miller for wheat, mill value and retail price per pound of flour, marketing margins, and farmer's share of retail price,

United States, January 1947 - October 1948

Year and month	Farm price of wheat per bu.	Wheat (per pound of flour)		Cost to miller		Flour		Marketing margin		Farm-er's Share
		Gross	By-product allowance	Net	Gross	Net 1/	Mill value	Retail price	Gross: Miller's share	
	Dollars	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Pct
1947										
Jan.	1.91	4.49	0.60	3.89	4.86	4.21	5.61	7.7	3.8	50
Feb.	1.99	4.70	0.65	4.05	5.10	4.41	5.74	7.9	3.8	51
Mar.	2.44	5.73	0.94	4.79	5.97	4.99	6.57	8.3	3.5	58
Apr.	2.40	5.64	0.82	4.82	5.85	5.00	6.49	8.9	4.1	54
May	2.39	5.62	0.98	4.64	5.90	4.87	6.28	8.9	4.3	52
June	2.18	5.12	0.96	4.16	5.73	4.65	5.95	8.7	4.5	48
July	2.14	5.03	0.95	4.08	5.36	4.35	6.06	8.5	4.4	48
Aug.	2.10	4.94	0.93	4.01	5.52	4.48	5.91	8.4	4.4	48
Sept.	2.43	5.71	1.08	4.63	6.25	5.06	6.37	8.5	3.9	54
Oct.	2.66	6.25	1.09	5.16	6.91	5.69	6.99	8.7	3.5	59
Nov.	2.74	6.44	1.09	5.35	7.05	5.84	7.12	9.3	4.0	58
Dec.	2.79	6.56	1.21	5.35	6.93	5.65	7.00	9.5	4.2	56
1948										
Jan.	2.81	6.60	1.37	5.23	7.03	5.57	6.92	9.6	4.4	54
Feb.	2.12	4.98	0.98	4.00	5.99	4.81	6.03	9.0	5.0	44
Mar.	2.21	5.19	1.08	4.11	5.83	4.62	5.92	8.8	4.7	47
Apr.	2.29	5.38	1.19	4.19	5.83	4.54	5.64	8.6	4.4	49
May	2.22	5.22	1.16	4.06	5.60	4.51	5.66	8.6	4.5	47
June	2.11	4.96	1.11	3.85	5.71	4.44	5.44	8.5	4.6	45
July	2.03	4.77	0.88	3.89	5.15	4.20	5.41	8.4	4.5	46
Aug.	1.96	4.61	0.72	3.89	4.96	4.18	5.37	8.2	4.3	47
Sept.	1.97	4.63	0.76	3.87	5.03	4.21	5.34	8.2	4.3	47
Oct.	1.98	4.65	0.75	3.90	5.10	4.23	5.43	8.2	4.3	48

1/ The net farm value is the imputed farm value of that portion of the wheat value assigned to flour, with the remainder of the value constituting a byproduct credit for wheat feed. The gross farm value minus the net farm value is the byproduct allowance per pound of flour.

COST TO MILLER FOR WHEAT, MILL VALUE OF FLOUR AND OF FEED BYPRODUCTS, UNITED STATES, JANUARY 1947-OCTOBER 1948



U. S. DEPARTMENT OF AGRICULTURE

NEG. 47023 BUREAU OF AGRICULTURAL ECONOMICS

When the value of mill feeds is high the miller can afford to pay more for wheat in relation to the price of flour. When the value of mill feeds decreases the price of flour is increased in relation to the cost of wheat.

first three quarters of 1948 to 1.2 cents, or to a point 0.2 cent under the 1947 average.

In comparison, the mill-retail margins represented about two-thirds of the total marketing margins for flour, and averaged 2.3 cents per pound in 1947. Beginning in October 1947, there was an upward trend in the mill-retail margins which increased the average for the first 10 months of 1948 to 2.9 cents per pound, or 0.6 cent above the 1947 average (table 3).

The price of feed byproducts in flour milling has some influence on the price of flour and on the miller's operating margin. The average value of these byproducts (bran, shorts, middlings, etc.) from January 1947 to October 1948 was about 18 percent of the combined value of the byproducts and the flour. However, the price of mill feeds will change with the demand or supply of other animal feeds. Such changes influence the miller's operating margin and the price of flour. The miller's operating margin per pound of flour is the difference between the cost of 1.41 pounds of wheat and the total value of the mill products (1 pound of flour plus 0.41 pound of mill feeds).

The degree of influence that feed byproducts had on the mill price of flour during 1947 and 1948 can be seen in a comparison of the value of the byproducts with the cost to the miller for wheat, the miller's operating margin, and the mill value of flour (table 8, fig. 2). In most months during the period the mill price of flour per pound was greater than the average cost of 1.4 pounds of wheat. But during the period January to April 1948, when the value of the byproducts was unusually high, the mill price of flour was lower than usual in relation to the price of wheat. The value of feed byproducts declined sharply from April to October 1948. This decline was accompanied by a decline in the miller's operating margin and by an increase in the mill price of flour relative to the cost to the miller for the wheat.

Analysis Regarding White Bread

Following World War II the retail price of bread increased sharply from 9.5 cents per pound to an all-time high of 14.5 cents per pound in February 1948, and it remained at the high level through October 1948. The U.S. average farm price of wheat also increased very sharply to reach a peak of \$2.81 per bushel in January 1948; but it dropped to \$2.12 in February and then declined further to \$1.98 by October 1948. Consequently, the marketing margin for white bread increased from 11 cents to 12 cents per pound from January to October 1948 whereas the farmer's share of the retail price decreased from 24 to 17 percent.

The 1935-39 prewar average U.S. retail price of bread increased from 9.1 cents per pound to an average of 9.4 cents during the 1942-45 war period. The equivalent farm value adjusted for byproducts ^{1/} increased from 1.16 to

^{1/} The farm value of the wheat used per pound of bread is the farm value of 0.912 pound of wheat. A bushel of wheat yields 42.6 pounds of flour and 17.4 pounds of wheat feed, and 65 pounds of flour are required to make 100 pounds of white bread with the formula adopted as "typical." It was calculated that 0.912 pound, or 0.0152 bushel, of wheat is required per pound loaf of white bread.

1.58 cents per pound of bread. The marketing margin decreased from 7.9 cents to 7.8 cents per pound, whereas the farmer's share of the retail price increased from 13 percent to 17 percent.

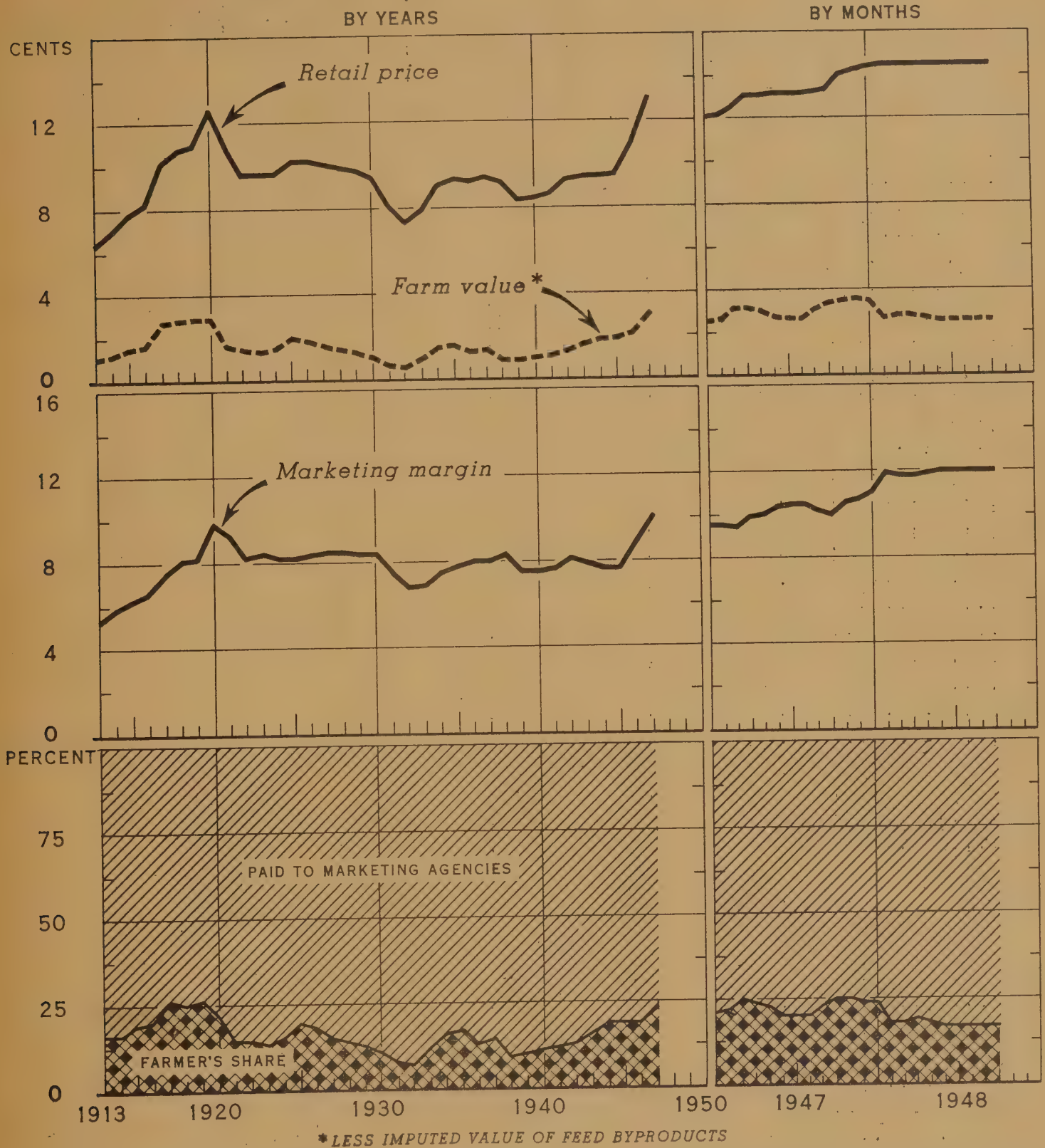
The marketing margin for white bread was more stable than the retail price over the 35-year period 1913-47. The trend of the marketing margin followed the retail price of bread; the greatest spread between farm and retail prices occurred during the high-price-level periods and the smallest spreads during low-price-level periods (tables 4, and 5, figure 3).

The relationship between the retail price of bread and the net return to the farmer for the wheat equivalent in a pound of bread was computed for the period 1935 through 1947 in the same manner as for flour. The monthly averages of the actual marketing margins for bread for each of the years in the period were then compared with the "average margins" computed from this relationship (see chart on cover). The relation between the retail price of bread and the net return to the farmer is not so close as in the case of flour. The average of the differences between the "average margin" and the "actual margin" during 1935-47 was 0.32 cent per pound. During the first 10 months of 1948, however, the "actual margins" exceeded the "average margins" by an average of 2.7 cents per pound, or 29 percent.

The miller's margin represented 10 percent or less of the total marketing margin for bread from January 1947 through October 1948. The mill charges averaged 0.9 cent per pound during 1947, and beginning in January 1948 there was a downward trend in the mill margins which lowered the average for the first three-quarters of 1948 to 0.8 cent, or 0.1 cent under the 1947 average. In contrast, the baker-retailer margins represented more than three-fourths of the total marketing charges for bread from January 1947 through October 1948 and averaged 7.5 cents per pound in 1947. There was an upward trend in the baker-retail margins from October 1947 through October 1948 which increased the average for the first 10 months of 1948 to 9.4 cents per pound, or 1.9 cents over the 1947 average (table 5).

The net farm value of all bread ingredients (flour, yeast, shortening, milk solids, sugar, and malt extract) averaged 25 percent of the retail price from January 1947 through October 1948. The net farm value of wheat averaged 21 percent and other ingredients averaged 4 percent. The cost to the baker for all bread ingredients during the 22-month period averaged 39 percent of the retail price. The cost for flour averaged 30 percent and the cost for other ingredients averaged 9 percent. The farm value of ingredients other than flour was equal to about one-fifth of the farm value of the flour used in bread making. The cost of the other ingredients to the baker was equal to about one-third of the cost of the flour.

WHITE BREAD: RETAIL PRICE PER POUND LOAF, NET FARM VALUE OF 0.912 POUND OF WHEAT, MARKETING CHARGES, AND FARMER'S SHARE OF RETAIL PRICE, UNITED STATES, 1913-48



U.S. DEPARTMENT OF AGRICULTURE

FIGURE 3

NEG 47024 BUREAU OF AGRICULTURAL ECONOMICS

The retail price of bread tends to follow the trend of the general price level. Changes in the marketing charges are rather closely related to changes in the retail price. The farm value of wheat equivalent in bread makes up a minor part of the retail price.

Table 4. - White bread: Retail price per pound loaf, net farm value of 0.912 pound of wheat, marketing margin, and farmer's share of retail price, United States, 1913-47.

Year	Retail price	Net farm value ^{1/}	Marketing margin	Marketing charges as a percent of retail price	Farmer's share of retail price
	Cents	Cents	Cents	Percent	Percent
1913	6.3	1.00	5.3	84	16
1914	7.0	1.11	5.9	84	16
1915	7.8	1.47	6.3	81	19
1916	8.2	1.61	6.6	80	20
1917	10.2	2.69	7.5	74	26
1918	10.8	2.70	8.1	75	25
1919	11.0	2.81	8.2	74	26
1920	12.6	2.80	9.8	78	22
1921	10.9	1.57	9.3	86	14
1922	9.6	1.36	8.2	86	14
1923	9.6	1.25	8.4	87	13
1924	9.6	1.45	8.2	85	15
1925	10.2	1.98	8.2	81	19
1926	10.2	1.80	8.4	82	18
1927	10.1	1.55	8.5	85	15
1928	9.9	1.45	8.5	86	14
1929	9.7	1.29	8.4	87	13
1930	9.4	1.02	8.4	89	11
1931	8.1	.63	7.5	92	8
1932	7.3	.52	6.8	93	7
1933	7.8	.97	6.9	88	12
1934	9.0	1.46	7.5	84	16
1935	9.3	1.54	7.8	85	17
1936	9.2	1.24	8.0	87	13
1937	9.4	1.36	8.0	86	14
1938	9.2	.86	8.3	91	9
1939	8.3	.80	7.5	90	10
1935-39 average	9.1	1.16	7.9	87	13
1940	8.4	.93	7.5	89	11
1941	8.6	1.05	7.6	88	12
1942	9.3	1.23	8.1	87	13
1943	9.4	1.54	7.9	84	16
1944	9.4	1.74	7.7	81	19
1945	9.5	1.60	7.9	81	19
1946	10.9	2.11	8.8	81	19
1947	13.0	2.96	10.0	77	23

From "Price Spreads between Farmers and Consumers for Food Products, 1913-44," U.S. Dept. Agri. Misc. Pub. 576, and supplementary data (mimeographed).

^{1/} The net farm value is the imputed farm value of that portion of the wheat value assigned to a pound loaf of bread, with the remainder of the wheat value constituting a byproduct allowance for mill feed.

Table 5. - White bread (per one pound loaf): Farm value and cost to miller of wheat, mill value and cost to baker for flour, farm value and cost to baker for all bread ingredients, retail price of bread, marketing margins, and farmer's share of retail price, United States January 1947 - June 1948

Year and month	Wheat 1/		Flour 2/		All ingredients		Bread		Margins		Farmer's share	
	Farm value	Cost	Farm value	Cost	Farm value	Cost	Retail price	Gross 4/	Miller and	Baker	Grain	All ingredients
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Percent	Percent
1947												
Jan.....	2.99	2.51	2.72	3.64	3.80	3.07	12.0	9.5	0.9	7.0	21	23
Feb.....	3.02	2.61	2.55	3.72	3.89	3.19	12.1	9.5	0.9	7.0	22	26
Mar.....	3.71	3.10	3.22	4.26	4.45	3.39	12.5	9.4	1.0	6.6	25	30
Apr.....	3.65	3.12	3.23	4.21	4.20	3.68	13.0	9.9	1.0	7.3	24	29
May.....	3.63	3.00	3.14	4.07	4.26	3.49	13.0	10.0	0.9	7.6	23	27
June.....	3.31	2.68	3.00	3.96	4.03	3.18	13.1	10.4	0.9	6.0	20	24
Jul.....	3.25	2.64	2.81	3.93	4.11	3.12	13.1	10.5	1.1	7.9	20	24
Aug.....	3.19	2.59	2.99	3.83	4.00	3.06	13.1	10.5	0.9	6.0	20	23
Sept.....	3.89	2.89	3.29	4.13	4.31	3.51	13.2	10.2	0.8	7.8	23	27
Oct.....	4.04	3.33	3.68	4.53	4.74	3.90	13.3	10.0	0.8	7.4	25	29
Nov.....	4.16	3.45	3.73	4.62	4.83	4.04	14.0	10.6	0.8	7.9	25	29
Dec.....	4.24	3.46	3.66	4.54	4.74	4.07	14.2	10.7	0.9	8.2	24	29
1948												
Jan.....	4.27	3.39	3.61	4.49	4.69	4.02	14.4	11.0	0.9	8.4	24	26
Feb.....	3.22	2.59	3.11	3.91	4.08	3.15	14.5	11.9	0.8	9.1	19	22
Mar.....	3.36	2.66	2.98	3.84	4.01	3.22	14.5	11.0	0.9	9.3	18	22
Apr.....	3.49	2.71	2.94	3.79	3.96	3.27	14.5	11.8	0.8	9.3	19	25
May.....	3.37	2.62	2.92	3.67	3.83	3.17	14.5	11.9	0.8	9.4	18	22
June.....	3.20	2.49	2.87	3.53	3.69	3.05	14.5	12.0	0.7	9.6	17	21
July.....	3.09	2.52	2.72	3.51	3.66	3.09	14.5	12.0	0.8	9.6	17	21
Aug.....	2.90	2.51	2.70	3.46	3.63	3.06	14.5	12.0	0.8	9.7	17	21
Sept.....	2.99	2.50	2.72	3.46	3.61	3.03	14.5	12.0	0.7	9.7	17	21
Oct.....	3.01	2.53	2.76	3.52	3.67	3.06	14.5	12.0	0.8	9.7	17	21

1/ 0.912 pound of wheat used per pound of bread.
 2/ 0.65 pounds of flour used per pound of bread.

3/ The net farm value is the imputed farm value of that portion of the wheat value assigned to a pound loaf of bread, with the remainder of the wheat value constituting a byproduct allowance for mill feed. 4/ Grain value only.

Table 6.-Farmer's share of retail value, 1935-39, June 1946, and July 1948, and dollar increases in retail value, farm value, and margins, June 1948 over June 1946, for specified groups of products

Item	Farmer's share of			Increase July 1948		
	consumer's dollar			over June 1946		
	Average	June	July	Retail	Farm	Marketing
	1935-39	1946	1948	value	value 1/	charges 2/
	Percent	Percent	Percent	Dollars	Dollars	Dollars
Food products - 3/						
Market basket	40	4/ 53	53	228.52	111.98	88.78
Meat products	53	4/ 79	73	116.39	76.58	27.76
Dairy products	50	4/ 57	61	38.95	18.35	11.34
Poultry and eggs	66	72	71	13.06	8.78	4.28
Bakery and other cereal products	21	4/ 30	29	26.29	6.70	14.91
All fruits and vegetables	31	43	36	16.88	-3.73	19.32
Fresh fruits and vegetables	35	45	38	8.99	-4.28	13.27
Fresh vegetables	34	37	36	10.96	3.50	7.46
Canned vegetables	14	26	20	3.89	-.31	3.62

1/ Increase in the retail value is greater than the sum of the increase in farm value plus the increase in the marketing margin because of Government payments to both producers and processors in June 1946. Increases in farm value, excluding Government payments to producers in June 1946, would be: "Market Basket," \$122.97; meat products, \$78.20; dairy products, \$27.51; and bakery and other cereal products, \$6.91.

2/ Marketing charges equal margins minus processor taxes plus Government payments to marketing agencies. Increases in margins for groups for which marketing charges differ from margins are: "Market Basket," \$105.55; meat products, \$38.19; dairy products, \$11.44; bakery and other cereal products, \$19.38; all fruits and vegetables, \$20.61; canned fruits and vegetables, \$4.20; and miscellaneous products, \$11.65.

3/ Pre-war annual average purchases per family.

4/ Does not include Government payments to producers; farmer's share including these payments are: "Market Basket," 55 percent; meat products, 80 percent; dairy products, 66 percent; bakery and cereal products, 31 percent; and miscellaneous products, \$11.65.

Table 7.- Indexes of hourly earnings in flour milling,
in the baking industry, and in all food marketing
1935-39 = 100

Year and month	Hourly earnings in marketing enterprises					
	Flour	Baking	Class I	Food	Food	
	mill-	in-	steam	process-	market-	
	ing	dustry	railways	ing	ing	
	<u>1/</u>	<u>1/</u>	<u>2/</u>	<u>1/</u>	<u>2/</u>	
1942	126	125	119	128	120	
1943	140	137	121	139	130	
1944	148	145	134	148	139	
1945	156	150	135	154	146	
1946	175	168	154	172	165	
1947	201	186	168	196	185	
<u>1947</u>						
January	194	182	162	189	178	
February	191	183	166	190	180	
March	192	182	162	190	180	
April	194	179	161	191	181	
May	190	182	161	194	183	
June	195	184	161	195	184	
July	201	185	160	196	185	
August	209	188	161	199	186	
September	211	190	179	197	189	
October	211	192	177	202	190	
November	214	192	185	205	194	
December	208	193	182	205	192	
<u>1948</u>						
January	206	195	183	205	195	
February	208	195	188	206	197	
March	204	195	181	207	196	
April	206	196	181	209	198	
May	210	198	183	211	199	
June	211	201	181	212	200	
July	218	201	181	212	201	
August	223	202	183	212	201	
September	230	204	186	212	202	

1/ Bureau of Labor Statistics.

2/ Compiled from data published by the Interstate Commerce Commission.

3/ Weighted composite of earnings in steam railways, food processing, wholesaling, and retailing.

Table 8.- Cost to miller for 1.41 pounds of wheat, value of mill products, and miller's gross operating margin per pound of flour, United States, January 1947 - October 1948

Month	Wheat		Mill Value		
	Cost to miller	Total mill product	Flour (1.0 pound)	Feed byproducts	Miller's operating margin
	(1.41 Pounds)	(1.41 pounds)		(0.41 pound)	
	<u>Cents</u>	<u>Cents</u>	<u>Cents</u>	<u>Cents</u>	<u>Cents</u>
1947 - Jan.....	4.86	6.47	5.61	.86	1.61
Feb.....	5.10	6.64	5.74	.90	1.54
Mar.....	5.97	7.86	6.57	1.29	1.89
Apr.....	5.85	7.59	6.49	1.10	1.74
May	5.90	7.60	6.28	1.32	1.70
June ...	5.73	7.33	5.95	1.38	1.60
July ...	5.36	7.47	6.06	1.41	2.11
Aug.....	5.52	7.29	5.91	1.38	1.77
Sept....	6.25	7.86	6.37	1.49	1.61
Oct.....	6.91	8.47	6.99	1.48	1.56
Nov.....	7.05	8.59	7.12	1.47	1.54
Dec.....	6.93	8.59	7.00	1.59	1.66
1948 - Jan.....	7.03	8.73	6.92	1.81	1.70
Feb.....	5.99	7.51	6.03	1.48	1.52
Mar.....	5.83	7.47	5.92	1.55	1.64
Apr.....	5.83	7.50	5.84	1.66	1.67
May.....	5.80	7.28	5.66	1.62	1.48
June ...	5.71	7.00	5.44	1.56	1.29
July....	5.15	6.64	5.41	1.23	1.49
Aug.....	4.96	6.37	5.37	1.00	1.41
Sept....	5.03	6.39	5.34	1.05	1.36
Oct.....	5.10	6.47	5.43	1.04	1.37

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